

SMALL BUSINESS FACTS

BUSINESS DYNAMICS

September 2018 • By Daniel Wilmoth, PhD

More businesses are opening than closing.

The number of business establishments in the United States with employees increased by about 118,000 in 2017.* Almost all of the establishments that open and close each year have fewer than 20 employees. The number of establishments that opened in the past year rose from about 947,000 at the end of 2016 to about 975,000 at the end of 2017. The number of establishments that closed fell from about 859,000 in 2016 to about 857,000 in 2017. Annual openings have exceeded closings for the last 28 consecutive quarters.

Growth varied across regions.

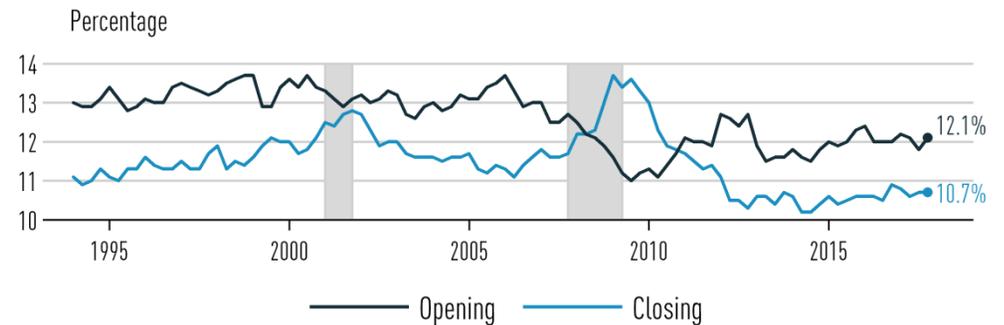
With a net increase of about 38,000 establishments in 2017, California alone accounted for nearly a third of the net increase for the nation. Texas, Washington, and Florida also experienced large net gains, while Arkansas, Kansas, Kentucky, Ohio, and West Virginia experienced net losses. The number of establishments in Puerto Rico decreased by 5.1 percent, a rate of decrease much higher than that of any state.

Business churn has declined over the last two decades.

Churn refers to the replacement of old businesses by new. A decline in the churn rate corresponds to a simultaneous decline in the rate at which new businesses open and existing businesses close. Although the share of business establishments that opened in the last year rose from 11.2 percent in 2009 to 12.1 percent in 2017, it remained below the share of 13.4 percent in 2000. The share of establishments that closed in the last year has also declined, falling from 12.1 percent in 2000 to 10.7 percent in 2017.

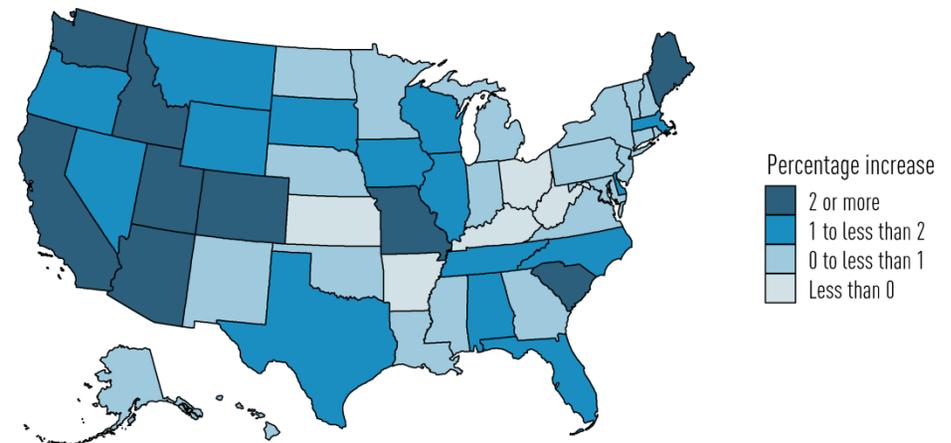
* The most current data on business dynamics describe the opening and closing of establishments. A single firm may operate multiple establishments. For information on the opening and closing of firms, see the Office of Advocacy publication "What's New with Small Business."

Annual business establishment transition rates



Source: Business Employment Dynamics data from the Bureau of Labor Statistics

Percentage change in number of business establishments in 2017



Source: Business Employment Dynamics data from the Bureau of Labor Statistics

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